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STATEMENT OF ANDREW W. PRESTON, PRESIDENT OF THE
UNITED FRUIT CO., BEFORE THE COMMITTEE ON THE MER-
CHANT MARINE AND FISHERIES OF THE HOUSE OF REPRE-
SENTATIVES AT WASHINGTON, D.C., ON MONDAY, THE 27TH
DAY OF JANUARY, 1913.

In view of the fact that the provisions of the resolution, pursuant to which this hearing is held, expressly empowered and directed your Committee to make a complete and thorough investigation of the methods and practices of ship lines and transportation agencies engaged in over-sea, coastwise, and inland commerce and of the effect which the said methods and practices have on the commerce of the United States, it seems proper to ask the privilege of submitting a brief statement covering the methods and practices of the United Fruit Co. and of their effect upon the commerce of the United States.

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United Fruit Co. g. u. r.

A Brief Statement of the Policy of the United Fruit Co. with Reference to Transportation Business.

The United Fruit Co. was organized particularly to engage in the business of growing, transporting, and selling tropical fruits and sugar. As its products were obtained in foreign countries, transportation necessarily became a part of its business, and while the transportation business has always been secondary to its fruit and sugar business, nevertheless it has in the course of events developed into a very important part of the Company's business and has grown to large proportions at the present time. It may not be amiss to open this statement by a declaration of the policy which the Company has pursued in the past with reference to the transportation business and which it intends and expects to pursue in its future development.

It has been the policy of this Company to keep itself free from all alliances, combinations, and contracts with other transportation companies. It is not a party to any pooling agreement, or any agreement having as its object a division of territory, division of traffic, or the regulation of sailings, or any other agreement which would hamper or restrain it in respect of such matters. When the United Fruit Co. entered

actively into the transportation business in the Caribbean Seas about the beginning of 1904, it found there three established regular steamship lines, namely, the Panama Railroad Steamship Line, the Hamburg-American Line, and the Royal Mail Line. These companies had practically the same rates of freight between the United States and Central and South American points. It was not the policy of this Company, in entering that business, to start a rate war or secretly to cut rates, or otherwise conduct its business except in a legitimate and proper manner, and assurances were given the older lines that it was not the intention of this Company to do any of the things mentioned, but that any changes it might make in the prevailing rates would be public and previously notified to them. However, this Company has in no wise obligated itself, and is not obligated, to any steamship company to maintain any set of rates, and is free at any time that it deems proper to make whatever rates it may see fit. This has been the policy of the Company in the past, and so long as the present administration of the Company exists it will be maintained in the future. It is our purpose and object to develop as much as we can the foreign business of the United States with Central and South America, and to get as much of that business as we legitimately can, and this, we believe, can be best accomplished by being entirely independent of any combinations or contracts with other transportation lines.

There can be no better way of showing "the effect of the methods" of the United Fruit Co. "on commerce of the United States" than to let the following facts speak for themselves.

United Fruit Co. as a Carrier of "Over-sea or Foreign Commerce."

It has been some twelve years since the United Fruit Co., an American enterprise, entered into competition with the older steamship lines for business to the West Indies, and Central and South America. During the first fiscal year of the Company's existence, which terminated on the 31st August, 1900, the Company employed 44 vessels in connection with its business and carried about 319,000 tons of freight, of which only 51,000 tons, or 16 per cent., consisted of general freight carried for the public. The remaining 84 per cent. consisted of bananas, miscellaneous fruit, and merchandise belonging to the Company and carried for its own account. During the last fiscal year terminating on the 30th September, 1912, the Company employed 81 vessels in connection with its business and carried 1,113,741 tons, of which 359,686 tons of freight, or 32 per cent., consisted of general freight belonging to the public, and the remainder, or 68 per cent., consisted of bananas, miscellaneous fruit, and general merchandise belonging to and carried for account of the Company.

During the first year of the Company's business the largest ship employed in connection with its business had a tonnage of about 2,000 tons and a capacity of 35,000 bunches of bananas. In the early years of its business practically all the Company's ships were chartered from Norwegian or other foreign owners, but in order to obtain vessels properly adapted, not only for bananas but also for general transportation business, it has been necessary to build some twenty steamships, which are the largest and best of the Company's line and have a total tonnage of 117,252 tons. The last steamer which has just been placed in the service and others now under construction each have a tonnage of over 8,000 tons and a capacity of 70,000 bunches of bananas, with a corresponding increase in the amount of space available for other cargo. The total tonnage of ships now, or about to be, employed by the United Fruit Co. in the foreign commerce of the United States aggregates approximately 200,000 tons.

During the first year of the Company's business the ships employed by the Company had passenger accommodations for a total of 350 passengers. At the present time the ships so employed have passenger accommodations for a total of over 2,000 passengers. During the first year of the Company's business, the number of passengers carried was but nominal, while during the past year the total number of passengers carried by the United Fruit Co. was 24,783.

Effect of United Fruit Co. on Foreign Commerce.

The United Fruit Co. has realized from its beginning that the most essential and important thing for the success of its business in the Tropics was to make adequate provision for its employees; *i.e.*, to insure their good health by creating proper sanitary conditions in their surroundings. This policy is one of the chief reasons for the success of the Company. It was followed by the United States Government in undertaking the construction of the Panama Canal, and is primarily responsible for the success of the construction of the Canal by our own Government. The importance of this subject to the United Fruit Co. is apparent from the fact that it employs over 37,000 men in the Tropics in connection with its business.

In the various tropical countries where it is engaged in business, the United Fruit Co. has constructed sewerage and drainage systems, installed water supplies, constructed ice plants, filled in low and swampy land, macadamized streets, built and maintained parks, and done various other work with the object of improving the local conditions at the cost of hundreds of thousands of dollars.

The Company was largely instrumental in establishing in the Tulane University at New Orleans a department for the study of tropical diseases, the first of its kind in the United States, and it contributes substantially to the support of that department.

It has constructed, or has under construction, hospitals in various countries costing the aggregate amount of over \$300,000. During the past year over 63,000 cases have been treated in these hospitals, and over 17,000 of those were for patients who were not employees of the Company. The total cost of operation of the Fruit Co.'s hospital service for the last year alone was \$240,000.

It is a great source of gratification to us that the Surgeon-General of the United States Public Health Service has stated that the Department looked upon the United Fruit Co. as a model of progressive action on the part of steamship companies in public health work, and drawn attention to the eminent value of our efforts in ship interests. We also have letters of a similar nature from almost every health organization in our Southern States.

During the past year we have not had a single case of any disease subject to quarantine appear in any port where our Company is engaged in business, nor have we had a single case appear on any of the ships in our service. This final excellent result is attributed to our policy of proper sanitation and hospital service, and the results speak for themselves, especially when one considers that we were surrounded last year by infection, including yellow fever and the dreaded plague itself. Not only has our policy benefited the United Fruit Co., but it has been of inestimable value to merchants of the United States and others whose business in the Tropics has required their presence there.

The Fruit Co. has also constructed modern and sanitary homes for its employees at an expenditure of many thousands of dollars. It has also constructed and maintains schools in Panama, Costa Rica, Guatemala, Jamaica, and Cuba, with accommodations for a total of over 500 pupils.

So far with reference to the efforts of the United Fruit Co. to rid our Central and South American trade of the restrictions and impediments resulting from the contagious and infectious diseases prevailing in the Tropics and to provide for the Company's employees, we come now to a consideration of the more material development of the resources of those countries by the operations of the Company.

At the end of the first fiscal year of the Company's business the total acreage of lands owned and leased by the United Fruit Co. in the West Indies and Central America aggregated 236,201 acres, of which 66,294 acres were under cultivation; at the close of the last fiscal year of the Company the total acreage of lands owned and leased by the Fruit Co. was 852,560 acres, of which 221,837 acres were under cultivation. In connection with acquiring property, clearing forests, creating plantations, constructing railroads and other works of various kinds, the United Fruit Co. has expended, in cash, towards the development of Tropical America the total sum of \$190,000,000.

During its first year the United Fruit Co. did not produce a single pound of sugar; during the last year the Company produced at its mill at Banos, Cuba,

144,247,580 pounds of sugar. This is not the result of absorbing or purchasing other companies engaged in the sugar business, but is a business built up solely by the United Fruit Co. The Company's sugar equipment is in excellent condition, and even now we are devoting our energies to the development of a new process of making sugar, which, we trust, may result in a substantial reduction in the price of sugar.

During the first year of the Company's existence the total amount of merchandise purchased in the United States for export to foreign countries for use in connection with the Company's business amounted to \$754,506; during the last fiscal year of the Company this extremely important item to merchants of the United States amounted to \$4,020,660.

While the United Fruit Co. has been engaged in increasing and perfecting its own business, it has not been necessary either to attempt to gain the entire trade in bananas or to resort to any other methods of competition than are to be expected and encouraged in proper and usual conditions of trade. Accordingly, while the number of bananas imported by the Company have increased from 11,000,000 bunches during its first year to approximately 25,000,000 bunches during the last fiscal year, the importations of others, as closely as we can estimate, has increased from about 5,000,000 bunches in 1900 to over 17,000,000 bunches in 1912. It also seems safe to state that the number of such other persons and companies engaged in importing bananas has probably increased, and certainly is no less than prior to the Company's organization.

The United Fruit Co. has been and is one of the chief factors in increasing the trade relations between the United States and Central America and the West Indies. Not only has it directly created extensive commerce, but indirectly it has assisted others by according superior passenger and freight accommodations to merchants of the United States, enabling them to visit and ship goods to many countries, some of which until recently were comparatively unknown in the United States. The fact that the Company's own business moves from the Tropics to the United States makes available on the return trip a large amount of space for goods exported by merchants of the United States to the various countries served by its steamship lines. Its steamships ply between the ports of Boston, New York, Philadelphia, Baltimore, Charleston, New Orleans, Mobile and Galveston, and ports in Jamaica, Guatemala, British and Spanish Honduras, Costa Rica, Panama, and Colombia.

In order to foster and develop trade between the United States and Central America, the United Fruit Co. has also on various occasions, at a great cost and expense to itself, compiled and published for free distribution among the merchants of the United States business directories giving the names and classified lists of the merchants in Central America. It has disseminated other information, and has done everything it could to assist merchants who were contemplating extending their business to

Central America. It has also made a special effort to assist commercial travellers and merchants in developing this business. The result of these activities by the United Fruit Co. has been extremely gratifying. The following tabulated statement which is taken from the records of the New Orleans Board of Trade, which in turn was taken from the customs records, gives some idea as to the results obtained in a single port of our country, due largely to the efforts of the United Fruit Co.:—

Exports to the West Indies and Central America from New Orleans.

<i>Country.</i>	<i>1900.</i>	<i>1911.</i>
British Honduras	\$244,247	\$1,266,320
Guatemala	58,343	862,746
Spanish Honduras	403,828	1,205,668
Nicaragua	936,825	904,837
Costa Rica	354,269	993,190
Panama	000	3,616,668
Mexico	595,044	3,836,534
Cuba	1,817,583	5,223,695
Totals	\$4,410,139	\$17,909,658

This statement would not be complete in showing the effect of the United Fruit Co. on foreign commerce if time were at least not taken to mention its extensive wireless telegraph system which it has established and maintains from the United States to Central and South America, and the lighthouse service which was inaugurated by it along the coast of Central America. It has constructed and established lighthouses at Puerto Barrios, Guatemala, Punta Gorda, Utila Island and False Cape, Honduras, and Bocas del Toro, Panama, in addition to which it has marked with beacons and lights the harbor entrances to many Central American ports. These facilities, of course, redound not only to its own benefit, but to commerce at large.

In a recent address delivered in Boston, Hon. John Barrett, the Director of the Pan-American Union and a recognized authority on Central and South America, declared that the United Fruit Co. was one of the most important factors in creating and developing commerce between the United States and Central America, something which is so essential to the prosperity and welfare of all concerned. Certainly, the immense trade of the United Fruit Co., which has been originated and developed to the present extent, does not appear to have been detrimental to foreign commerce, and, on the other hand, it is recognized as one of the most beneficial influences in the development of the foreign commerce of the United States.

Effect on Inland Commerce of United States.

Attention has already been called to the increase of some 14,000,000 bunches in the number of bananas of the United Fruit Co. sold in this country during the last year over the number sold during the first year of its existence, and also to a similar increase of 12,000,000 bunches in the bananas sold by others in the United States.

As regards the effect of the methods of the United Fruit Co. upon the wholesale and retail fruit business of the United States, the Company does not engage in the retail business, and the number of wholesale dealers to whom its bananas are sold has increased over 40 per cent. since the year the Company started in business. The dealings of the Company with its customers are extremely satisfactory, and no more eloquent testimony can be furnished than the fact that the percentage of loss from disputes, disagreements, and bad debts during the last fiscal year was less than .03 of 1 per cent. on gross sales.

The Company receives no discriminations from railroads whatever. It pays the regular rates of freight, and never has received any rebate or anything of the kind. Among the railroads which carry its large product may be mentioned the following: Boston & Maine, Boston & Albany, New York, New Haven & Hartford, New York Central, Pennsylvania, Delaware, Lackawanna & Western, Lehigh Valley, Philadelphia & Reading, Baltimore & Ohio, Illinois Central, Southern Pacific, Texas & Pacific, Louisville & Nashville, Mobile & Ohio, New Orleans & North Eastern, Atlantic Coast Line, Southern Railway, Canadian Pacific, Grand Trunk, Chicago, Milwaukee & St. Paul, Chicago, Burlington & Quincy, St. Louis & San Francisco, Wabash, New York, Chicago & St. Louis, Seaboard Air Line, and Chicago, Rock Island & Pacific.

The traffic of the United Fruit Co. is not only of great value to the railroads, but also to other shippers. The total weight of the Company's business handled in the United States during the year 1912 was over 1,167,000,000 pounds, or 583,500 tons. All of this was not transported by rail, but a very great proportion was, and, as the haul is usually long and in the opposite direction to the bulk of railroad traffic, it is obvious how valuable the business is to the railroads and how it necessarily has a most important bearing in the reduction of freight rates for other traffic, such as meats shipped to the seaboard for export.

Undoubtedly, the most important effect of the United Fruit Co. on the inland commerce of the United States is that it is largely responsible for the fact that the banana, which was formerly a luxury, has become recognized as one of the necessities of life and can now be had at a price within the reach of all. It can be stated with positive assurance that, while practically all other necessities of life have

largely increased in price during the past ten years, bananas are to-day as cheap as ever.

The retail price of bananas to-day ranges from 10 to 25 cents a dozen, making it the cheapest fruit on the market to-day. When the Company first entered into business, there were many points in the United States where the banana was comparatively unknown, but where to-day it may be purchased at a price only slightly in advance of that which prevails at the seaboard. This is largely due to superior methods of cultivation, transportation, and handling introduced and practised by the United Fruit Co. Moreover, the quality of the fruit to-day has greatly improved over that of ten years ago. It is also true that to-day the banana is used as a cooked vegetable, whereas formerly it was only regarded as a fruit. The importance which the banana takes to-day in keeping down the already high cost of living is being generally recognized. For example, I quote the following from the report of the American Consul in Jamaica which appeared in the Daily Consular and Trade Reports, issued by the Department of Commerce and Labor, on December 26th, 1912, to wit: "As all the conditions seem to be favorable for a greatly enlarged production of bananas, and as the highly nutritive qualities of this fruit are becoming more generally recognized, it is encouraging in this day of high cost of living to have good reasons for believing that the banana is destined to play no small part in meeting the world's insistent demand for a larger and cheaper supply of wholesome food."

Conclusion.

In conclusion, we wish to refer briefly to the whole broad question of American interests in Central and Northern South America. The strategic position and influence of the United States, in so far as the State, Navy, and War Departments are concerned, has been, and is being, most ably directed by the Government, but the important question of the commercial influence of the United States with these countries will not show a result consistent with the efforts our Government is making unless those efforts are supplemented by genuine commercial relations with these countries. With some minor exceptions, the United Fruit Co. is to-day the only effective medium of distinctly American trade relations with the countries concerned. The rivalry, both in the exchanges of merchandise and the means of transportation, with the European countries is so acute, and the determination of certain of our European friends not to let go of their commercial supremacy in that part of the world is so intense, that no company less powerful than the United Fruit Co. could for a moment stand up against European competition. The fact that the Company is in the tropical countries an enormous producer of freight for its own ships helps

the Company to operate its ships and develop American trade, in both directions, in a way which under other conditions would be absolutely impossible. It is not to be forgotten that the chief competitors of the United Fruit Co. are foreign companies reported to be supported either by substantial subsidies or powerful governmental co-operation.

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